103D CONGRESS
1ST SESSION

S. 1215

To increase the number of primary care providers in order to improve the nation's health care access and contain health care spending by the establishment of medical education reimbursement programs and other programs, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 13, 1993

Mrs. KASSEBAUM (for herself and Mr. SIMPSON) introduced the following bill; which was read twice and referred to the Committee on Finance

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A BILL

To increase the number of primary care providers in order to improve the nation's health care access and contain health care spending by the establishment of medical education reimbursement programs and other programs, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "Primary Medical Care Act of 1993".

(b) TABLE OF CONTENTS.—The table of contents is as follows:

TITLE I—INCREASING THE NUMBER OF PRIMARY CARE PROVIDERS

SEC. 101. FINDINGS.

Congress finds that—

(1) not less than 50 percent of all medical residents should complete generalist training programs, and at least 50 percent of all physicians should become primary care providers;

(2) all primary care shortage areas should be eliminated, and disparities between the metropolitan and nonmetropolitan distribution of physicians should be reduced;

(3) the aggregate allopathic and osteopathic physician-to-population ratio should be maintained at 1993 levels;

(4) the total number of entry medical residency positions should be limited;

(5) the number of nurse practitioners and physician assistants should be increased; and

(6) community-based ambulatory training expe-riences for medical residents should be increased.

SEC. 102. GRADUATE MEDICAL EDUCATION PAYMENTS.

(a) IN GENERAL.—Subsection (h) of section 1886 of the Social Security Act (42 U.S.C. 1395ww(h)) is amended to read as follows:

"(h) GRADUATE MEDICAL EDUCATION PAYMENTS.—

"(1) NATIONAL HEALTH WORKFORCE EDUCATION FUND.—

"(A) ESTABLISHMENT.—The Secretary shall establish a National Health Workforce Education Fund (hereafter referred to in this subsection as the 'Fund') to make payments in accordance with this subsection.

"(B) ALLOCATIONS.—

"(i) IN GENERAL.—In providing for the Fund, the Secretary shall annually provide for an allocation of monies to the

Fund from the trust funds established under parts A and B as the Secretary determines reasonably reflects the amount of DME payments and IME payments payable under such funds during fiscal year 1993.

"(ii) UPDATING TO THE FIRST COST REPORTING PERIOD.—The Secretary shall update the amount of funds allocated to the Fund under clause (i) by the percentage increase in the consumer price index during the 12-month cost reporting period described in such clause.

"(iii) AMOUNT FOR SUBSEQUENT COST REPORTING PERIODS.—For each cost reporting period, the amount of funds allocated to the Fund shall be equal to the amount determined under this subparagraph for the previous cost reporting period updated, through the midpoint of the period, by projecting the estimated percentage change in the consumer price index during the 12-month period ending at that midpoint, with appropriate adjustments to reflect previous under- or over-es-

timations under this subparagraph in the projected percentage change in the consumer price index.

"(C) DIVISION OF FUND.—The Secretary shall annually divide the Fund into subfunds. One subfund shall be established for DME payments (hereafter referred to in this subsection as the 'DME subfund') and another subfund for IME payments (hereafter referred to in this subsection as the 'IME subfund'). In determining the annual relative distribution of funds between the DME subfund and the IME subfund, the Secretary shall first consider the amount to be contained in the DME subfund. The IME subfund shall be equal to the amount of the Fund less the amount of the DME subfund.

"(D) DETERMINATION OF AMOUNT OF DME SUBFUND.—The Secretary shall annually determine the amount of the DME subfund. For the first cost reporting period, the DME subfund shall be equal to the amount of DME payments under parts A and B in 1993, updated by the percentage increase in the consumer price index during that 12-month cost

reporting period. For subsequent cost reporting periods, such subfund shall be the greater of—

"(i) the amount of DME payments made from the Fund during the previous cost reporting period updated, through the midpoint of the period, by projecting the estimated percentage change in the consumer price index during the 12-month period ending at that midpoint, with appropriate adjustments to reflect previous under- or over-estimations under this subparagraph in the projected percentage change in the consumer price index; or

"(ii) the projected amount of DME payments for such cost reporting period required for all primary care residents and health care training consortia residents in programs approved by the Administrator of the Health Resources and Services Administration.

"(3) GUIDELINES FOR DISBURSEMENT OF GRADUATE MEDICAL EDUCATION FUNDS.—

"(A) DME PAYMENTS.—

"(i) AMOUNT OF PAYMENT PER FTE RESIDENT.—The Secretary shall develop a

payment amount per FTE resident, with respect to DME payments, that is not historically based, but shall accurately reflect the resident stipends, clinical faculty stipends, administrative expenses, and program operation overhead involved. The Secretary shall develop such a formula based upon a national average of such payments during the cost reporting period that ended in 1993.

"(ii) UPDATING TO THE FIRST COST REPORTING PERIOD.—The Secretary shall update the payment amount per FTE resident determined under clause (i) by the percentage increase in the consumer price index during the 12-month cost reporting period described in such clause.

"(iii) AMOUNT FOR SUBSEQUENT COST REPORTING PERIODS.—For each cost reporting period, the approved payment amount per FTE resident shall be equal to the amount determined under this subparagraph for the previous cost reporting period updated, through the midpoint of the period, by projecting the estimated per-

centage change in the consumer price index during the 12-month period ending at that midpoint, with appropriate adjustments to reflect previous under- or over-estimations under this subparagraph in the projected percentage change in the consumer price index.

"(B) HEALTH CARE TRAINING INSTITUTION PAYMENT AMOUNT PER RESIDENT.—

"(i) IN GENERAL.—The payment amount, for a health care training institution's cost reporting period shall be equal to the product of—

"(I) the aggregate approved amount (as defined in clause (ii)) for that period; and

"(II) the health care training institution's medicare patient load (as defined in clause (iii)) for that period.

"(ii) AGGREGATE APPROVED AMOUNT.—As used in clause (i), the term 'aggregate approved amount' means, for a health care training institution cost reporting period, the product of—

"(I) the payment amount per FTE resident amount (as determined under subparagraph (A)) for that period; and

"(II) the weighted average number of FTE (as determined under subparagraph (C)) in the health care training institution's approved medical residency training programs in that period.

"(iii) MEDICARE PATIENT LOAD.—As used in clause (i), the term 'medicare patient load' means, with respect to a health care training consortium's or a teaching hospital's cost reporting period, the fraction of the total number of inpatient-bed-days (as established by the Secretary) during the period which are attributable to patients with respect to whom payment may be under part A. For the purpose of this clause, for a health care training consortium, the fraction of the total number of inpatient-bed-days shall be calculated using the inpatient-bed-days of the teaching hos-

pitals which are members of the consortium.

"(C) DETERMINATION OF FULL-TIME EQUIVALENT RESIDENTS.—

"(i) RULES.—The Secretary shall establish rules consistent with this subparagraph for the computation of the number of FTE residents in an approved medical residency training program.

"(ii) ADJUSTMENT FOR PART-YEAR OR PART-TIME RESIDENTS.—Such rules shall take into account individuals who serve as residents for only a portion of a period with a hospital or simultaneously with more than one hospital.

"(iii) WEIGHTING FACTORS.—Subject to clause (iv), such rules shall provide that, in calculating the number of FTE residents in an approved residency program for a resident who is in the resident's initial residency period—

"(I) with respect to each primary care resident in a primary care training program approved by the Administrator of the Health Resources and

Services Administration, the weighting factor is 1.5;

"(II) with respect to each nonprimary care resident in a training program which is part of a health care training consortia, approved by the Administrator of the Health Resources and Services Administration, the weighting factor is 1.0; and

"(III) with respect to each nonprimary care resident in a training program that is not part of a health care training consortia approved by the Administrator of the Health Resources and Services Administration, the weighting factor shall be the ratio of the subspecialty total divided by the product of the payment amount per FTE resident and the total number of residents who do not train in programs approved under section 753 of the Public Health Service Act as a primary care training program or a health care training consortium.

The subspecialty total for purposes of subclause (III) shall be the sum determined by subtracting the amount of DME payments that would be needed to provide reimbursements for residents who train in programs approved, under section 753 of the Public Health Service Act as a primary care training program or a health care training consortium from the amount of the DME subfund.

"(iv) FOREIGN MEDICAL GRADUATES REQUIRED TO PASS FMGEMS EXAMINATION.—Such rules shall provide that, in the case of an individual who is a foreign medical graduate, the individual shall not be counted as a resident, unless—

"(I) the individual has passed the FMGEMS examination; or

"(II) the individual has previously received certification from, or has previously passed the examination of, the Educational Commission for Foreign Medical Graduates.

"(v) COUNTING TIME SPENT IN OUTPATIENT SETTINGS.—Such rules shall pro-

vide that only time spent in activities relating to patient care shall be counted and that all the time so spent by a resident under an approved medical residency training program shall be counted towards the determination of full-time equivalency, without regard to the setting in which the activities are performed.

"(D) ASSURANCES.—In disbursing DME payments from the Fund, the Secretary, shall ensure that following:

"(i) A teaching hospital receiving DME payments from the Fund for its residents, other than those residents that are part of a health care training consortium, uses those funds to support the training of medical residents.

"(ii) A health care training consortium receiving DME payments may use such funds, at the sole discretion of such consortium, to support the training of medical students and medical residents to meet the training outcome requirements as described under section 753 of the Public Health Service Act.

"(iii) Assurances are obtained from the health care training consortia or teaching hospitals receiving such DME payments that such entities will compensate the appropriate primary care residents at not less than an amount that is 20 percent greater than the compensation paid to other residents.

"(E) COMPENSATION.—As used in subparagraph (D)(iii), the term 'compensation' means the total of salary, benefits, debt forgiveness, and all other presentations provided to residents, both monetary and material. Payments made to residents by a residency program either prior to or following the actual period of residency shall also be considered as compensation under this section.

"(4) DETERMINATION AS TO FUNDING OF PROGRAMS.—The Secretary shall, with respect to weighting factors for primary care training programs and health care training consortia under paragraph (3), use only such weights for programs or consortia approved by the Administrator of the Health Resources and Services Administration under section 753 of the Public Health Service Act.

"(5) DEFINITIONS.—As used in this subsection:

"(A) APPROVED MEDICAL RESIDENCY TRAINING PROGRAM.—The term 'approved medical residency training program' means a residency or other postgraduate medical training program in which participation may be counted toward certification in a specialty or subspecialty and includes formal postgraduate training programs in geriatric medicine approved by the Secretary.

"(B) CONSUMER PRICE INDEX.—The term 'consumer price index' refers to the Consumer Price Index for All Urban Consumers (United States city average), as published by the Secretary of Commerce.

"(C) DIRECT MEDICAL EDUCATION PAYMENTS; DME.—The term 'direct medical education payments' means payments to a health care training institution that sponsors a residency program, to enable such institution to provide—

"(i) resident and fellow stipends;

"(ii) the salaries of clinical faculty;

"(iii) administrative expenses; and

"(iv) reimbursement for overhead expenses incurred for residency and fellowship physician training.

"(D) FOREIGN MEDICAL GRADUATE.—The term 'foreign medical graduate' means a resident who is not a graduate of—

"(i) a school of medicine accredited by the Liaison Committee on Medical Education of the American Medical Colleges (or approved by such Committee as meeting the standards necessary for such accreditation);

"(ii) a school of osteopathy accredited by the American Osteopathic Association, or approved by such Association as meeting the standards necessary for such accreditation; or

"(iii) a school of dentistry or podiatry that is accredited (or meets the standards for accreditation) by an organization recognized by the Secretary for such purpose.

"(E) FMGEMS EXAMINATION.—The term 'FMGEMS examination' means parts I and II of the Foreign Medical Graduate Examination

in the Medical Sciences recognized by the Secretary for this purpose.

"(F) GENERALISTS.—The term 'generalists' means family physicians, general pediatricians, and general internists.

"(G) HEALTH CARE TRAINING CONSORTIUM.—

"(i) IN GENERAL.—The term 'health care training consortium' means a local, State, or regional association approved by the Administrator of the Health Resources and Services Administration under section 753 of the Public Health Service Act, that includes at least one school of medicine, teaching hospital, and ambulatory training site, organized in a manner so that at least 50 percent of the involved medical school's or schools' graduates become primary care providers during the year after such graduates complete their residency training.

"(ii) AMBULATORY TRAINING SITES.—As used in clause (i), the term 'ambulatory training sites' includes health maintenance organizations, community health centers and federally qualified health centers, mi-

grant health centers, ambulatory offices or other appropriate educational and teaching sites as determined by the Administrator of the Health Resources and Services Administration.

"(H) HEALTH CARE TRAINING INSTITUTION.—The term 'health care training institution' means a teaching hospital or a health care training consortium.

"(I) INDIRECT MEDICAL EDUCATION PAYMENTS; IME.—The term 'indirect medical education payments' means payments to teaching hospitals to enable such hospitals to pay the additional operating costs associated with the training of medical residents under section 1886(d)(5)(B). Such payments shall be referred to as 'IME payments'.

"(J) INITIAL RESIDENCY PERIOD.—(i) The term 'initial residency period' means the period of board eligibility. Except as provided in clause (ii), in no case shall the initial period of residency exceed an aggregate period of formal training of more than five years for any individual. The initial residency period shall be determined, with respect to a resident, as of the time

the resident enters the residency training program.

"(ii) Notwithstanding clause (i), a period, of not more than two years, during which an individual is in a geriatric residency or fellowship program that meets such criteria as the Secretary may establish, shall be treated as part of the initial residency period, but shall not be counted against any limitation on the initial residency period.

"(K) PERIOD OF BOARD ELIGIBILITY.—

"(i) GENERAL RULE.—Subject to clauses (ii) and (iii), the term 'period of board eligibility' means, for a resident, the minimum number of years of formal training necessary to satisfy the requirements for initial board eligibility in the particular specialty for which the resident is training.

"(ii) APPLICATION OF DIRECTORY.—Except as provided in clause (iii), the period of board eligibility shall be such period specified in the Directory of Residency Training Programs published by the Accreditation Council on Graduate Medical Education.

"(iii) CHANGES IN PERIOD OF BOARD ELIGIBILITY.—If the Accreditation Council on Graduate Medical Education, in its Directory of Residency Training Programs—

"(I) increases the minimum number of years of formal training necessary to satisfy the requirements for a specialty, above the period specified in its 1993–1994 Directory, the Secretary may increase the period of board eligibility for that specialty, but not to exceed the period of board eligibility specified in that later Directory; or

"(II) decreases the minimum number of years of formal training necessary to satisfy the requirements for a specialty, below the period specified in its 1993–1994 Directory, the Secretary may decrease the period of board eligibility for that specialty, but not below the period of board eligibility specified in that later Directory.

"(L) PRIMARY CARE.—The term 'primary care' means medical care that is characterized by the following elements:

"(i) First contact care for persons with undifferentiated health care concerns.

"(ii) Person-centered, comprehensive care that is not organ or problem specific.

"(iii) An orientation toward the longitudinal care of the patient.

"(iv) Responsibility for coordination of other health services as they relate to the patient's care.

"(M) PRIMARY CARE COMPETENCIES.—The term 'primary care competencies' means—

"(i) health promotion and disease prevention;

"(ii) the assessment or evaluation of common symptoms and physical signs;

"(iii) the management of common acute and chronic medical conditions, including behavioral conditions; or

"(iv) the identification and appropriate referral for other needed health care services.

"(N) PRIMARY CARE PROVIDERS.—The term 'primary care providers' means generalists and obstetrician/gynecologists, nurse practitioners, and physician assistants who utilize the primary care competencies to deliver primary care.

"(O) PRIMARY CARE RESIDENTS.—The term 'primary care residents' means medical residents in primary care training programs.

"(P) PRIMARY CARE TRAINING PROGRAMS.—The term 'primary care training programs' means—

"(i) all family practice residency programs; and

"(ii) residency programs for primary care providers that are approved by the Administrator of the Health Resources and Services Administration in accordance with section 753 of the Public Health Service Act.".

(b) IME PAYMENTS.—Subparagraph (B) of section 1886(d)(5) of the Social Security Act (42 U.S.C. 1395ww(d)(5)(B)) is amended—

(1) in the matter preceding clause (i), by inserting "(IME payments under subsection (h)), from the

IME subfund established in subsection (h),'' after ''medical education,''; and

(2) by adding at the end thereof the following new clause:

''(v) In determining the additional payment amount, the Secretary shall reduce the amount of IME payments to teaching hospitals for a hospital cost reporting period by an appropriate across-the-board percentage, in order to maintain IME subfund budget neutrality if—

''(I) such payments for resident provided services are projected to increase during the hospital cost reporting period; or

''(II) the amount of such subfund is reduced in accordance with subsection (h)(1)(C).''.

SEC. 103. APPROVAL OF PRIMARY CARE AND HEALTH CARE CONSORTIUM PROGRAMS FOR GME PAYMENTS.

Part C of title VII of the Public Health Service Act (42 U.S.C. 293j et seq.) is amended by adding at the end thereof the following new section:

"SEC. 753. APPROVAL OF PRIMARY CARE AND HEALTH CARE CONSORTIUM PROGRAMS FOR GME PAYMENTS.

"(a) IN GENERAL.—

"(1) REQUIREMENTS.—The Secretary, acting through the Administrator of the Health Resources and Services Administration, shall, for purposes of section 1886(h) of the Social Security Act—

"(A) establish criteria, based upon program curricula, that shall be utilized to determine which residencies in pediatrics, internal medicine, and obstetrics and gynecology shall be approved as primary care training programs;

"(B) approve primary care training programs, using the criteria established in paragraph (2); and

"(C) approve health care training consortium in accordance with paragraph (2).

"(2) TRANSITION.—

"(A) IN GENERAL.—During the period ending on June 30, 1997, a health care training consortium shall be approved if the consortium demonstrates that not less than 50 percent of the filled residency program positions of such consortium are in primary care training programs.

"(B) 1997–2001.—During the period beginning July 1, 1997, through June 30, 2001, a health care training consortium shall be approved if the consortium demonstrates that not less than 50 percent of the filled residency program positions of such consortium are in primary care training programs and not less than 50 percent of the medical school graduates from such health care training consortium with respect to the year involved enter primary care training programs.

"(C) POST 2001.—For each annual period beginning on July 1, 2001, health care training consortium shall be approved if such consortium demonstrates that not less than 50 percent of the 1997 graduates, and each subsequent class of graduates, from the consortium medical school or medical schools have become primary care providers.

"(b) DEFINITIONS.—As used in this section:

"(1) GENERALISTS.—The term 'generalists' means family physicians, general pediatricians, and general internists.

"(2) HEALTH CARE TRAINING CONSORTIUM.—

"(A) IN GENERAL.—The term 'health care training consortium' means a local, State, or regional association approved by the Administrator of the Health Resources and Services Administration that includes at least one school of medicine, teaching hospital, and ambulatory training site, organized in a manner so that at least 50 percent of the involved medical school's or schools' graduates become primary care providers during the year after such graduates complete their residency training.

"(B) AMBULATORY TRAINING SITES.—As used in subparagraph (A), the term 'ambulatory training sites' includes health maintenance organizations, community health centers and federally qualified health centers, migrant health centers, ambulatory offices or other appropriate educational and teaching sites as determined by the Administrator of the Health Resources and Services Administration.

"(3) PRIMARY CARE.—The term 'primary care' means medical care that is characterized by the following elements:

"(A) First contact care for persons with undifferentiated health care concerns.

"(B) Person-centered, comprehensive care that is not organ or problem specific.

"(C) An orientation toward the longitudinal care of the patient.

"(D) Responsibility for coordination of other health services as they relate to the patient's care.

"(4) PRIMARY CARE COMPETENCIES.—The term 'primary care competencies' means—

"(A) health promotion and disease prevention;

"(B) the assessment or evaluation of common symptoms and physical signs;

"(C) the management of common acute and chronic medical conditions, including behavioral conditions; or

"(D) the identification and appropriate referral for other needed health care services.

"(5) PRIMARY CARE PROVIDERS.—The term 'primary care providers' means generalists and obstetrician/gynecologists, nurse practitioners, and physician assistants who utilize the primary care competencies to deliver primary care.

"(6) PRIMARY CARE RESIDENTS.—The term 'primary care residents' means medical residents in primary care training programs.

"(7) PRIMARY CARE TRAINING PROGRAMS.—The term 'primary care training programs' means—

"(A) all family practice residency programs; and

"(B) residency programs for primary care providers that are approved by the Administrator of the Health Resources and Service Administrator in accordance with this section.".

SEC. 104. HEALTH PROFESSIONS FUNDING FOR NURSE PRACTITIONER AND PHYSICIAN ASSISTANTS PROGRAMS.

(a) PHYSICIAN ASSISTANTS.—Section 750(d)(1) of the Public Health Service Act (42 U.S.C. 293n(d)(1)) is amended by striking "for each of the fiscal years 1993 through 1995" and inserting "for fiscal year 1993, $11,250,000 for fiscal year 1994, and such sums as may be necessary for each of the fiscal years 1995 and 1996".

(b) NURSE PRACTITIONERS.—Section 822(d) of such Act (42 U.S.C. 296m(d)) is amended by striking "for each of the fiscal years 1993 and 1994" and inserting "for fiscal year 1993, $25,000,000 for fiscal year 1994, and such

sums as may be necessary for each of the fiscal years 1995 and 1996".

SEC. 105. PRIMARY CARE DEMONSTRATION GRANTS.

Part B of title III of the Public Health Service Act (42 U.S.C. 243 et seq.) is amended by adding at the end thereof the following new section:

"SEC. 320A. PRIMARY CARE DEMONSTRATION GRANTS.

"(a) AUTHORIZATION.—The Secretary, acting through the Health Resources and Services Administration, shall award grants to States or nonprofit entities to fund not less than 10 demonstration projects to enable such States or entities to evaluate one or more of the following:

"(1) State mechanisms, including changes in the scope of practice laws, to enhance the delivery of primary care by nurse practitioners or physician assistants.

"(2) The feasibility of, and the most effective means to train subspecialists to deliver primary care as primary care providers.

"(3) State mechanisms to increase the supply or improve the distribution of primary care providers.

"(b) APPLICATION.—To be eligible to receive a grant under this section a State or nonprofit entity shall prepare

and submit to the Secretary an application at such time, in such manner and containing such information as the Secretary may require.

"(c) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section, $9,000,000 for fiscal year 1994, and such sums as may be necessary for each of the fiscal years 1995 through 1997.".

SEC. 106. HEALTH WORKFORCE OVERSIGHT.

(a) IN GENERAL.—Section 301(a) of the Health Professions Education Extension Amendments of 1992 (42 U.S.C. 295k note) is amended—

(1) in paragraph (1), by striking "and" at the end thereof;

(2) in paragraph (2), by striking the period and inserting "; and"; and

(3) by adding at the end thereof the following new paragraph:

"(3) maintain data bases concerning the supply and distribution of, and postgraduate training programs for, physicians and other primary care providers in the United States in order to make periodic recommendations with respect to subparagraphs (D) and (E) of paragraph (1).".

(b) FINAL REPORT.—Section 301(j) of such Act is amended—

(1) by striking "FINAL" in the subsection heading; and

(2) by striking "final".

(c) AUTHORIZATION OF APPROPRIATIONS.—Section 301(k) of such Act is amended to read as follows:

"(k) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to maintain the data bases required under subsection (a)(3), and for other purposes authorized by this section, $8 000,000 for fiscal year 1994, and such sums as may be necessary for each of the fiscal years 1995 through 1997.".

TITLE II—COMMUNITY HEALTH SERVICES EXPANSION

SEC. 201. ESTABLISHMENT OF GRANT PROGRAM.

Subpart I of part D of title III of the Public Health Service Act (42 U.S.C. 254b et seq.) is amended by adding at the end thereof the following new section:

"SEC. 330A. COMMUNITY-BASED PRIMARY HEALTH CARE GRANT PROGRAM.

"(a) ESTABLISHMENT.—The Secretary shall establish and administer a program to provide allotments to States to enable such States to provide grants for the creation or enhancement of community-based primary health

care entities that provide services to low-income or medically underserved populations.

"(b) ALLOTMENTS TO STATES.—

"(1) IN GENERAL.—From the amount available for allotment under subsection (h) for a fiscal year, the Secretary shall allot to each State an amount equal to the product of the grant share of the State (as determined under paragraph (2)) multiplied by such amount available.

"(2) GRANT SHARE.—

"(A) IN GENERAL.—For purposes of paragraph (1), the grant share of a State shall be the product of the need-adjusted population of the State (as determined under subparagraph (B)) multiplied by the Federal matching percentage of the State (as determined under subparagraph (C)), expressed as a percentage of the sum of the products of such factors for all States.

"(B) NEED-ADJUSTED POPULATION.—

"(i) IN GENERAL.—For purposes of subparagraph (A), the need-adjusted population of a State shall be the product of the total population of the State (as estimated by the Secretary of Commerce) mul-

tiplied by the need index of the State (as determined under clause (ii)).

"(ii) NEED INDEX.—For purposes of clause (i), the need index of a State shall be the ratio of—

"(I) the weighted sum of the geographic percentage of the State (as determined under clause (iii)), the poverty percentage of the State (as determined under clause (iv)), and the multiple grant percentage of the State (as determined under clause (v)); to

"(II) the general population percentage of the State (as determined under clause (vi)).

"(iii) GEOGRAPHIC PERCENTAGE.—

"(I) IN GENERAL.—For purposes of clause (ii)(I), the geographic percentage of the State shall be the estimated population of the State that is residing in nonurbanized areas (as determined under subclause (II)) expressed as a percentage of the total nonurbanized population of all States.

"(II) NONURBANIZED POPULATION.—For purposes of subclause (I), the estimated population of the State that is residing in nonurbanized areas shall be one minus the urbanized population of the State (as determined using the most recent decennial census), expressed as a percentage of the total population of the State (as determined using the most recent decennial census), multiplied by the current estimated population of the State.

"(iv) POVERTY PERCENTAGE.—For purposes of clause (ii)(I), the poverty percentage of the State shall be the estimated number of people residing in the State with incomes below 200 percent of the income official poverty line (as determined by the Office of Management and Budget) expressed as a percentage of the total number of such people residing in all States.

"(v) MULTIPLE GRANT PERCENTAGE.—For purposes of clause (ii)(I), the

multiple grant percentage of the State shall be the amount of Federal funding received by the State under grants awarded under sections 329, 330, and 340, expressed as a percentage of the total amounts received under such grants by all States. With respect to a State, such percentage shall not exceed twice the general population percentage of the State under clause (vi) or be less than one-half of the States general population percentage.

"(vi) GENERAL POPULATION PERCENTAGE.—For purposes of clause (ii)(II), the general population percentage of the State shall be the total population of the State (as determined by the Secretary of Commerce) expressed as a percentage of the total population of all States.

"(C) FEDERAL MATCHING PERCENTAGE.—

"(i) IN GENERAL.—For purposes of subparagraph (A), the Federal matching percentage of the State shall be equal to one, less the State matching percentage (as determined under clause (ii)).

"(ii) STATE MATCHING PERCENTAGE.—For purposes of clause (i), the State matching percentage of the State shall be 0.25 multiplied by the ratio of the total taxable resource percentage (as determined under clause (iii)) to the need-adjusted population of the State (as determined under subparagraph (B)).

"(iii) TOTAL TAXABLE RESOURCE PERCENTAGE.—For purposes of clause (ii), the total taxable resources percentage of the State shall be the total taxable resources of a State (as determined by the Secretary of the Treasury) expressed as a percentage of the sum of the total taxable resources of all States.

"(3) ANNUAL ESTIMATES.—

"(A) IN GENERAL.—If the Secretary of Commerce does not produce the annual estimates required under paragraph (2)(B)(iv), such estimates shall be determined by multiplying the percentage of the population of the State that is below 200 percent of the income official poverty line as determined using the most recent decennial census by the most recent

estimate of the total population of the State. Except as provided in subparagraph (B), the calculations required under this subparagraph shall be made based on the most recent 3-year average of the total taxable resources of individuals within the State.

"(B) DISTRICT OF COLUMBIA.—Notwithstanding subparagraph (A), the calculations required under such subparagraph with respect to the District of Columbia shall be based on the most recent 3-year average of the personal income of individuals residing within the District as a percentage of the personal income for all individuals residing within the District, as determined by the Secretary of Commerce.

"(4) MATCHING REQUIREMENT.—A State that receives an allotment under this section shall make available State resources (either directly or indirectly) to carry out this section in an amount that shall equal the State matching percentage for the State (as determined under paragraph (2)(C)(ii)) divided by the Federal matching percentage (as determined under paragraph (2)(C)).

"(c) APPLICATION.—

"(1) IN GENERAL.—To be eligible to receive an allotment under this section, a State shall prepare and submit an application to the Secretary at such time, in such manner, and containing such information as the Secretary may by regulation require.

"(2) ASSURANCES.—A State application submitted under paragraph (1) shall contain an assurance that—

"(A) the State will use amounts received under its allotment consistent with the requirements of this section; and

"(B) the State will provide, from non-Federal sources, the amounts required under subsection (b)(4).

"(d) USE OF FUNDS.—

"(1) IN GENERAL.—The State shall use amounts received under this section to award grants to eligible public and nonprofit private entities, or consortia of such entities, within the State to enable such entities or consortia to provide services of the type described in paragraph (2) of section 329(h) to low-income or medically underserved populations.

"(2) ELIGIBILITY.—To be eligible to receive a grant under paragraph (1), an entity or consortium shall—

"(A) prepare and submit to the administering entity of the State, an application at such time, in such manner, and containing such information as such administering entity may require, including a plan for the provision of services of the type described in paragraph (3);

"(B) provide assurances that services will be provided under the grant at fee rates established or determined in accordance with section 330(e)(3)(F); and

"(C) provide assurances that in the case of services provided to individuals with health insurance, such insurance shall be used as the primary source of payment for such services.

"(3) SERVICES.—The services to be provided under a grant awarded under paragraph (1) shall include—

"(A) one or more of the types of primary health services described in section 330(b)(1);

"(B) one or more of the types of supplemental health services described in section 330(b)(2); and

"(C) any other services determined appropriate by the administering entity of the State.

"(4) TARGET POPULATIONS.—Entities or consortia receiving grants under paragraph (1) shall, in providing the services described in paragraph (3), substantially target populations of low-income or medically underserved populations within the State who reside in medically underserved or health professional shortage areas, areas certified as underserved under the rural health clinic program, or other areas determined appropriate by the administering entity of the State, within the State.

"(5) PRIORITY.—In awarding grants under paragraph (1), the State shall—

"(A) give priority to entities or consortia that can demonstrate through the plan submitted under paragraph (2) that—

"(i) the services provided under the grant will expand the availability of primary care services to the maximum number of low-income or medically underserved populations who have no access to such care on the date of the grant award; and

"(ii) the delivery of services under the grant will be cost-effective; and

"(B) ensure that an equitable distribution of funds is achieved among urban and rural entities or consortia.

"(e) REPORTS AND AUDITS.—Each State shall prepare and submit to the Secretary annual reports concerning the State's activities under this section which shall be in such form and contain such information as the Secretary determines appropriate. Each such State shall establish fiscal control and fund accounting procedures as may be necessary to assure that amounts received under this section are being disbursed properly and are accounted for, and include the results of audits conducted under such procedures in the reports submitted under this subsection.

"(f) PAYMENTS.—

"(1) ENTITLEMENT.—Each State for which an application has been approved by the Secretary under this section shall be entitled to payments under this section for each fiscal year in an amount not to exceed the State's allotment under subsection (b) to be expended by the State in accordance with the terms of the application for the fiscal year for which the allotment is to be made.

"(2) METHOD OF PAYMENTS.—The Secretary may make payments to a State in installments, and

in advance or by way of reimbursement, with necessary adjustments on account of overpayments or underpayments, as the Secretary may determine.

"(3) STATE SPENDING OF PAYMENTS.—Payments to a State from the allotment under subsection (b) for any fiscal year must be expended by the State in that fiscal year or in the succeeding fiscal year.

"(g) DEFINITION.—As used in this section, the term 'administering entity of the State' means the agency or official designated by the chief executive officer of the State to administer the amounts provided to the State under this section.

"(h) FUNDING.—Notwithstanding any other provision of law, the Secretary shall use 50 percent of the amounts that the Secretary is required to utilize under section 330B(h) in each fiscal year to carry out this section.".

SEC. 202. PROGRAM TO PROVIDE FOR EXPANSION OF FEDERALLY QUALIFIED HEALTH CENTERS.

(a) IN GENERAL.—Subpart I of part D of title III of the Public Health Service Act (42 U.S.C. 254b et seq.) (as amended by section 201) is further amended by adding at the end thereof the following new section:

"SEC. 330B. PROGRAM TO PROVIDE FOR EXPANSION OF FEDERALLY QUALIFIED HEALTH CENTERS.

"(a) ESTABLISHMENT OF HEALTH SERVICES ACCESS PROGRAM.—From amounts appropriated under this section, the Secretary shall, acting through the Bureau of Health Care Delivery Assistance, award grants under this section to federally qualified health centers (hereafter referred to in this section as 'FQHCs') and other entities and organizations submitting applications under this section (as described in subsection (c)) for the purpose of providing access to services for medically underserved populations (as defined in section 330(b)(3)) or in high impact areas (as defined in section 329(a)(5)) not currently being served by a FQHC.

"(b) ELIGIBILITY FOR GRANTS.—

"(1) IN GENERAL.—The Secretary shall award grants under this section to entities or organizations described in this paragraph and paragraph (2) which have submitted a proposal to the Secretary to expand such entities or organizations operations (including expansions to new sites (as determined necessary by the Secretary)) to serve medically underserved populations or high impact areas not currently served by a FQHC and which—

"(A) have as of the date of enactment of this section, been certified by the Secretary as

a FQHC under section 1905(l)(2)(B) of the Social Security Act;

"(B) have submitted applications to the Secretary to qualify as FQHCs under section 1905(l)(2)(B) of the Social Security Act; or

"(C) have submitted a plan to the Secretary which provides that the entity or organization will meet the requirements to qualify as a FQHC when operational.

"(2) NON-FQHC ENTITIES.—

"(A) ELIGIBILITY.—The Secretary shall also make grants under this section to any public or private nonprofit agency, or any health care entity or organization which—

"(i) meets the requirements necessary to qualify as a FQHC, except the requirement that such agency, entity, or organization has a consumer majority governing board,

"(ii) has submitted a proposal to the Secretary to provide those services provided by a FQHC as defined in section 1905(l)(2)(B) of the Social Security Act, and

"(iii) is designed to promote access to primary care services or to reduce reliance on hospital emergency rooms or other high cost providers of primary health care services,

Provided, That the proposal described in clause (ii) is developed by the agency, entity, or organization (or such agencies, entities, or organizations acting in a consortium in a community) with the review and approval of the Governor of the State in which such agency, entity, or organization is located.

"(B) LIMITATION.—The Secretary shall provide in making grants to entities or organizations described in this paragraph that not more than 10 percent of the funds provided for grants under this section shall be made available for grants to such entities or organizations.

"(c) APPLICATION REQUIREMENTS.—

"(1) IN GENERAL.—In order to be eligible to receive a grant under this section, a FQHC or other entity or organization must submit an application in such form and at such time as the Secretary shall prescribe and which meets the requirements of this subsection.

"(2) REQUIREMENTS.—An application submitted under this section must provide—

"(A)(i) for a schedule of fees or payments for the provision of the services provided by the entity or organization designed to cover its reasonable costs of operations; and

"(ii) for a corresponding schedule of discounts to be applied to such fees or payments, based upon the patient's ability to pay (determined by using a sliding scale formula based on the income of the patient);

"(B) assurances that the entity or organization provides services to persons who are eligible for benefits under title XVIII of the Social Security Act, for medical assistance under title XIX of such Act, or for assistance for medical expenses under any other public assistance program or private health insurance program; and

"(C) assurances that the entity or organization has made and will continue to make every reasonable effort to collect reimbursement for services—

"(i) from persons eligible for assistance under any of the programs described in subparagraph (B); and

"(ii) from patients not entitled to benefits under any such programs.

"(d) LIMITATIONS ON USE OF FUNDS.—

"(1) IN GENERAL.—From the amounts awarded to a FQHC or other entity or organization under this section, funds may be used for purposes of planning but may only be expended for the costs of—

"(A) assessing the needs of the populations or proposed areas to be served;

"(B) preparing a description of how the needs identified will be met; and

"(C) development of an implementation plan that addresses—

"(i) recruitment and training of personnel; and

"(ii) activities necessary to achieve operational status in order to meet FQHC requirements under 1905(l)(2)(B) of the Social Security Act.

"(2) RECRUITING, TRAINING, AND COMPENSATION OF STAFF.—From the amounts awarded to an entity or organization under this section, funds may be used for the purposes of paying for the costs of recruiting, training, and compensating staff (clinical and associated administrative personnel (to the ex-

tent such costs are not already reimbursed under title XIX of the Social Security Act or any other State or Federal program)) to the extent necessary to allow the entity or organization to operate at new or expanded existing sites.

"(3) FACILITIES AND EQUIPMENT.—From the amounts awarded to an entity or organization under this section, funds may be expended for the purposes of acquiring facilities and equipment but only for the costs of—

"(A) construction of new buildings (to the extent that new construction is found to be the most cost-efficient approach by the Secretary);

"(B) acquiring, expanding, or modernizing existing facilities;

"(C) purchasing essential (as determined by the Secretary) equipment; and

"(D) amortization of principal and payment of interest on loans obtained for purposes of site construction, acquisition, modernization, or expansion, as well as necessary equipment.

"(4) SERVICES.—From the amounts awarded to an entity or organization under this section, funds may be expended for the payment of services but only for the costs of—

"(A) providing or arranging for the provision of all services through the entity or organization necessary to qualify such entity or organization as a FQHC under section 1905(l)(2)(B) of the Social Security Act;

"(B) providing or arranging for any other service that a FQHC may provide and be reimbursed for under title XIX of the Social Security Act; and

"(C) providing any unreimbursed costs of providing services as described in section 330(a) to patients.

"(e) PRIORITIES IN THE AWARDING OF GRANTS.—

"(1) CERTIFIED FQHCS.—The Secretary shall give priority in awarding grants under this section to entities and organizations which have, as of the date of enactment of this section, been certified as a FQHC under section 1905(l)(2)(B) of the Social Security Act and which have submitted a proposal to the Secretary to expand their operations (including expansion to new sites) to serve medically underserved populations for high impact areas not currently served by a FQHC. The Secretary shall give first priority in awarding grants under this section to those FQHCs or other entities or organiza-

tions which propose to serve populations with the highest degree of unmet need, and which can demonstrate the ability to expand their operations in the most efficient manner.

"(2) QUALIFIED FQHCS.—The Secretary shall give second priority in awarding grants to entities and organizations which have submitted applications to the Secretary which demonstrate that the entities or organizations will qualify as FQHCs under section 1905(l)(2)(B) of the Social Security Act before they provide or arrange for the provision of services supported by funds awarded under this section, and which are serving or proposing to serve medically underserved populations or high impact areas which are not currently served (or proposed to be served) by a FQHC.

"(3) EXPANDED SERVICES AND PROJECTS.—The Secretary shall give third priority in awarding grants in subsequent years to those FQHCs or other entities or organizations which have provided for expanded services and projects and are able to demonstrate that such entities or organizations will incur significant unreimbursed costs in providing such expanded services.

"(f) RETURN OF FUNDS TO SECRETARY FOR COSTS REIMBURSED FROM OTHER SOURCES.—To the extent that a FQHC or other entity or organization receiving funds under this section is reimbursed from another source for the provision of services to an individual, and does not use such increased reimbursement to expand services furnished, to expand areas served, to compensate for costs of unreimbursed services provided to patients, or to promote recruitment, training, or retention of personnel, such excess revenues shall be returned to the Secretary.

"(g) TERMINATION OF GRANTS.—

"(1) FAILURE TO MEET FQHC REQUIREMENTS.—

"(A) IN GENERAL.—With respect to any entity or organization that is receiving funds awarded under this section and which subsequently fails to meet the requirements to qualify as a FQHC under section 1905(l)(2)(B) of the Social Security Act or is an entity or organization that is not required to meet the requirements to qualify as a FQHC under section 1905(l)(2)(B) of the Social Security Act but fails to meet the requirements of this section, the Secretary shall terminate the award of

funds under this section to such entity or organization.

"(B) NOTICE.—Prior to any termination of funds under this section to an entity or organization, the entity or organization shall be entitled to 60 days' prior notice of termination and, as provided by the Secretary in regulations, an opportunity to correct any deficiencies in order to allow the entity or organization to continue to receive funds under this section.

"(2) REQUIREMENTS.—Upon any termination of funding under this section, the Secretary may (to the extent practicable)—

"(A) sell any property (including equipment) acquired or constructed by the entity or organization using funds made available under this section or transfer such property to another FQHC, except that the Secretary shall reimburse any costs which were incurred by the entity or organization in acquiring or constructing such property (including equipment) which were not supported by grants under this section; and

"(B) recoup any funds provided to an entity or organization terminated under this section.

"(h) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section $600,000,000 for each of the fiscal years 1994 through 1998.".

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall become effective with respect to services furnished by a federally qualified health center or other qualifying entity or organization described in this section beginning on or after the date of enactment of this Act.

TITLE III—EXPANDING THE SUPPLY OF HEALTH PROFESSIONALS IN RURAL AREAS

SEC. 301. EXPANSION OF NATIONAL HEALTH SERVICE CORPS.

Section 338H(b) of the Public Health Service Act (42 U.S.C. 254q(b)) is amended—

(1) in paragraph (1), by striking "and such sums" and all that follows through the end thereof and inserting "$120,000,000 for each of the fiscal years 1993 through 2000."; and

(2) in paragraph (2)—

(A) by redesignating subparagraphs (A) and (B) as subparagraphs (B) and (C), respectively; and

(B) by inserting before subparagraph (B) (as so redesignated) the following new subparagraph:

"(A) IN GENERAL.—Of the amount appropriated under paragraph (1) for each fiscal year, the Secretary shall utilize 25 percent of such amount to carry out section 338A and 75 percent of such amount to carry out section 338B.".

SEC. 302. TAX INCENTIVES FOR PRACTICE IN RURAL AREAS.

(a) NONREFUNDABLE CREDIT FOR CERTAIN PRIMARY HEALTH SERVICES PROVIDERS.—

(1) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to nonrefundable personal credits) is amended by inserting after section 25 the following new section:

"SEC. 25A. PRIMARY HEALTH SERVICES PROVIDERS.

"(a) ALLOWANCE OF CREDIT.—In the case of a qualified primary health services provider, there is allowed as a credit against the tax imposed by this chapter for

any taxable year in a mandatory service period an amount equal to the product of—

"(1) the lesser of—

"(A) the number of months of such period occurring in such taxable year, or

"(B) 36 months, reduced by the number of months taken into account under this paragraph with respect to such provider for all preceding taxable years (whether or not in the same mandatory service period), multiplied by

"(2) $1,000 ($500 in the case of a qualified primary health services provider who is a physician assistant or a nurse practitioner).

"(b) QUALIFIED PRIMARY HEALTH SERVICES PROVIDER.—For purposes of this section, the term 'qualified primary health services provider' means any physician, physician assistant, or nurse practitioner who for any month during a mandatory service period is certified by the Bureau to be a primary health services provider who—

"(1) is providing primary health services—

"(A) full time, and

"(B) to individuals at least 80 percent of whom reside in a rural health professional shortage area,

"(2) is not receiving during such year a scholarship under the National Health Service Corps Scholarship Program or a loan repayment under the National Health Service Corps Loan Repayment Program,

"(3) is not fulfilling service obligations under such Programs, and

"(4) has not defaulted on such obligations.

"(c) MANDATORY SERVICE PERIOD.—For purposes of this section, the term 'mandatory service period' means the period of 60 consecutive calendar months beginning with the first month the taxpayer is a qualified primary health services provider.

"(d) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) BUREAU.—The term 'Bureau' means the Bureau of Health Care Delivery and Assistance, Health Resources and Services Administration of the United States Public Health Service.

"(2) PHYSICIAN.—The term 'physician' has the meaning given to such term by section 1861(r) of the Social Security Act.

"(3) PHYSICIAN ASSISTANT; NURSE PRACTITIONER.—The terms 'physician assistant' and 'nurse

practitioner' have the meanings given to such terms by section 1861(aa)(3) of the Social Security Act.

"(4) PRIMARY HEALTH SERVICES PROVIDER.—The term 'primary health services provider' means a provider of primary health services (as defined in section 330(b)(1) of the Public Health Service Act).

"(5) RURAL HEALTH PROFESSIONAL SHORTAGE AREA.—The term 'rural health professional shortage area' means—

"(A) a rural health professional shortage area (as defined in section 332(a)(1)(A) of the Public Health Service Act) in a rural area (as determined under section 1886(d)(2)(D) of the Social Security Act), or

"(B) an area which is determined by the Secretary of Health and Human Services as equivalent to an area described in subparagraph (A) and which is designated by the Bureau of the Census as not urbanized.

"(C) a community that is certified as underserved by the Secretary for purposes of participation in the rural health clinic program under title XVIII of the Social Security Act.

"(e) RECAPTURE OF CREDIT.—

"(1) IN GENERAL.—If, during any taxable year, there is a recapture event, then the tax of the taxpayer under this chapter for such taxable year shall be increased by an amount equal to the product of—

"(A) the applicable percentage, and

"(B) the aggregate unrecaptured credits allowed to such taxpayer under this section for all prior taxable years.

"(2) APPLICABLE RECAPTURE PERCENTAGE.—

"(A) IN GENERAL.—For purposes of this subsection, the applicable recapture percentage shall be determined from the following table:

"If the recapture event occurs during:	The applicable recapture percentage is:
Months 1–24	100
Months 25–36	75
Months 37–48	50
Months 49–60	25
Months 61 and thereafter	0.

"(B) TIMING.—For purposes of subparagraph (A), month 1 shall begin on the first day of the mandatory service period.

"(3) RECAPTURE EVENT DEFINED.—

"(A) IN GENERAL.—For purposes of this subsection, the term 'recapture event' means the failure of the taxpayer to be a qualified primary health services provider for any month during any mandatory service period.

"(B) CESSATION OF DESIGNATION.—The cessation of the designation of any area as a rural health professional shortage area after the beginning of the mandatory service period for any taxpayer shall not constitute a recapture event.

"(C) SECRETARIAL WAIVER.—The Secretary may waive any recapture event caused by extraordinary circumstances.

"(4) NO CREDITS AGAINST TAX.—Any increase in tax under this subsection shall not be treated as a tax imposed by this chapter for purposes of determining the amount of any credit under subpart A, B, or D of this part.".

(2) CLERICAL AMENDMENT.—The table of sections for subpart A of part IV of subchapter A of chapter 1 of such Code is amended by inserting after the item relating to section 25 the following new item:

"Sec. 25A. Primary health services providers.".

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after the date of the enactment of this Act.

(b) NATIONAL HEALTH SERVICE CORPS LOAN REPAYMENTS EXCLUDED FROM GROSS INCOME.—

(1) IN GENERAL.—Part III of subchapter B of chapter 1 of the Internal Revenue Code of 1986 (relating to items specifically excluded from gross income) is amended by redesignating section 136 as section 137 and by inserting after section 135 the following new section:

"SEC. 136. NATIONAL HEALTH SERVICE CORPS LOAN REPAYMENTS.

"(a) GENERAL RULE.—Gross income shall not include any qualified loan repayment.

"(b) QUALIFIED LOAN REPAYMENT.—For purposes of this section, the term 'qualified loan repayment' means any payment made on behalf of the taxpayer by the National Health Service Corps Loan Repayment Program under section 338B(g) of the Public Health Service Act.".

(2) CONFORMING AMENDMENT.—Paragraph (3) of section 338B(g) of the Public Health Service Act is amended by striking "Federal, State, or local" and inserting "State or local".

(3) CLERICAL AMENDMENT.—The table of sections for part III of subchapter B of chapter 1 of the Internal Revenue Code of 1986 is amended by striking the item relating to section 136 and inserting the following:

"Sec. 136. National Health Service Corps loan repayments.
"Sec. 137. Cross references to other Acts.".

(4) EFFECTIVE DATE.—The amendments made by this subsection shall apply to payments made under section 338B(g) of the Public Health Service Act after the date of the enactment of this Act.

(c) EXPENSING OF MEDICAL EQUIPMENT.—

(1) IN GENERAL.—Section 179 of the Internal Revenue Code of 1986 (relating to election to expense certain depreciable business assets) is amended—

(A) by striking paragraph (1) of subsection (b) and inserting the following:

"(1) DOLLAR LIMITATION.—

"(A) GENERAL RULE.—The aggregate cost which may be taken into account under subsection (a) for any taxable year shall not exceed $10,000.

"(B) RURAL HEALTH CARE PROPERTY.—In the case of rural health care property, the aggregate cost which may be taken into account under subsection (a) for any taxable year shall not exceed $25,000, reduced by the amount otherwise taken into account under subsection (a) for such year."; and

(B) by adding at the end of subsection (d) the following new paragraph:

"(11) RURAL HEALTH CARE PROPERTY.—For purposes of this section, the term 'rural health care property' means section 179 property used by a physician (as defined in section 1861(r) of the Social Security Act) in the active conduct of such physician's full-time trade or business of providing primary health services (as defined in section 330(b)(1) of the Public Health Service Act) in a rural health professional shortage area (as defined in section 25A(d)(5)).".

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to property placed in service in taxable years beginning after the date of enactment of this Act.

(d) DEDUCTION FOR STUDENT LOAN PAYMENTS BY MEDICAL PROFESSIONALS PRACTICING IN RURAL AREAS.—

(1) INTEREST ON STUDENT LOANS NOT TREATED AS PERSONAL INTEREST.—Section 163(h)(2) of the Internal Revenue Code of 1986 (defining personal interest) is amended by striking "and" at the end of subparagraph (D), by striking the period at the end of subparagraph (E) and inserting ", and", and by adding at the end thereof the following new subparagraph:

"(F) any qualified medical education interest (within the meaning of subsection (k)).".

(2) QUALIFIED MEDICAL EDUCATION INTEREST DEFINED.—Section 163 of such Code (relating to interest expenses) is amended by redesignating subsection (k) as subsection (l) and by inserting after subsection (j) the following new subsection:

"(k) QUALIFIED MEDICAL EDUCATION INTEREST OF MEDICAL PROFESSIONALS PRACTICING IN RURAL AREAS.—

"(1) IN GENERAL.—For purposes of subsection (h)(2)(F), the term 'qualified medical education interest' means an amount which bears the same ratio to the interest paid on qualified educational loans during the taxable year by an individual performing services under a qualified rural medical practice agreement as—

"(A) the number of months during the taxable year during which such services were performed, bears to

"(B) the number of months in the taxable year.

"(2) DOLLAR LIMITATION.—The aggregate amount which may be treated as qualified medical

education interest for any taxable year with respect to any individual shall not exceed $5,000.

"(3) QUALIFIED RURAL MEDICAL PRACTICE AGREEMENT.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'qualified rural medical practice agreement' means a written agreement between an individual and an applicable rural community under which the individual agrees—

"(i) in the case of a medical doctor, upon completion of the individual's residency (or internship if no residency is required), or

"(ii) in the case of a registered nurse, nurse practitioner, or physician's assistant, upon completion of the education to which the qualified education loan relates,

to perform full-time services as such a medical professional in the applicable rural community for a period of 24 consecutive months. An individual and an applicable rural community may elect to have the agreement apply for 36 consecutive months rather than 24 months.

"(B) SPECIAL RULE FOR COMPUTING PERIODS.—An individual shall be treated as meet-

ing the 24 or 36 consecutive month requirement under subparagraph (A) if, during each 12-consecutive month period within either such period, the individual performs full-time services as a medical doctor, registered nurse, nurse practitioner, or physician's assistant, whichever applies, in the applicable rural community during 9 of the months in such 12-consecutive month period. For purposes of this subsection, an individual meeting the requirements of the preceding sentence shall be treated as performing services during the entire 12-month period.

"(C) APPLICABLE RURAL COMMUNITY.—The term 'applicable rural community' means—

"(i) any political subdivision of a State which—

"(I) has a population of 5,000 or less, and

"(II) has a per capita income of $15,000 or less, or

"(ii) an Indian reservation which has a per capita income of $15,000 or less.

"(4) QUALIFIED EDUCATIONAL LOAN.—The term 'qualified educational loan' means any indebtedness to pay qualified tuition and related expenses

(within the meaning of section 117(b)) and reasonable living expenses—

"(A) which are paid or incurred—

"(i) as a candidate for a degree as a medical doctor at an educational institution described in section 170(b)(1)(A)(ii), or

"(ii) in connection with courses of instruction at such an institution necessary for certification as a registered nurse, nurse practitioner, or physician's assistant, and

"(B) which are paid or incurred within a reasonable time before or after such indebtedness is incurred.

"(5) RECAPTURE.—If an individual fails to carry out a qualified rural medical practice agreement during any taxable year, then—

"(A) no deduction with respect to such agreement shall be allowable by reason of subsection (h)(2)(F) for such taxable year and any subsequent taxable year, and

"(B) there shall be included in gross income for such taxable year the aggregate amount of the deductions allowable under this

section (by reason of subsection (h)(2)(F)) for all preceding taxable years.

"(6) DEFINITIONS.—For purposes of this subsection, the terms 'registered nurse', 'nurse practitioner', and 'physician's assistant' have the meaning given such terms by section 1861 of the Social Security Act.".

(3) DEDUCTION ALLOWED IN COMPUTING ADJUSTED GROSS INCOME.—Section 62(a) of such Code is amended by inserting after paragraph (13) the following new paragraph:

"(14) INTEREST ON STUDENT LOANS OF RURAL HEALTH PROFESSIONALS.—The deduction allowable by reason of section 163(h)(2)(F) (relating to student loan payments of medical professionals practicing in rural areas).".

(4) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after the date of the enactment of this Act.applies, in the applicable rural community during 9 of the months in such 12-consecutive month period. For purposes of this subsection, an individual meeting the requirements of the preceding sentence shall be treated as performing services during the entire 12-month period.

"(C) APPLICABLE RURAL COMMUNITY.—The term 'applicable rural community' means—

"(i) any political subdivision of a State which—

"(I) has a population of 5,000 or less, and

"(II) has a per capita income of $15,000 or less, or

"(ii) an Indian reservation which has a per capita income of $15,000 or less.

"(4) QUALIFIED EDUCATIONAL LOAN.—The term 'qualified educational loan' means any indebtedness to pay qualified tuition and related expenses (within the meaning of section 117(b)) and reasonable living expenses—

"(A) which are paid or incurred—

"(i) as a candidate for a degree as a medical doctor at an educational institution described in section 170(b)(1)(A)(ii), or

"(ii) in connection with courses of instruction at such an institution necessary for certification as a registered nurse, nurse practitioner, or physician's assistant, and

"(B) which are paid or incurred within a reasonable time before or after such indebtedness is incurred.

"(5) RECAPTURE.—If an individual fails to carry out a qualified rural medical practice agreement during any taxable year, then—

"(A) no deduction with respect to such agreement shall be allowable by reason of subsection (h)(2)(F) for such taxable year and any subsequent taxable year, and

"(B) there shall be included in gross income for such taxable year the aggregate amount of the deductions allowable under this section (by reason of subsection (h)(2)(F)) for all preceding taxable years.

"(6) DEFINITIONS.—For purposes of this subsection, the terms 'registered nurse', 'nurse practitioner', and 'physician's assistant' have the meaning given such terms by section 1861 of the Social Security Act.".

(3) DEDUCTION ALLOWED IN COMPUTING ADJUSTED GROSS INCOME.—Section 62(a) of such Code is amended by inserting after paragraph (13) the following new paragraph:

"(14) INTEREST ON STUDENT LOANS OF RURAL HEALTH PROFESSIONALS.—The deduction allowable by reason of section 163(h)(2)(F) (relating to student loan payments of medical professionals practicing in rural areas).".

(4) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after the date of the enactment of this Act.

TITLE IV—MISCELLANEOUS PROVISIONS

SEC. 401. EFFECTIVE DATE.

Unless specifically provided otherwise, this Act and the amendments made by this Act shall become effective on the date of enactment of this Act.

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